

REPORT OF QUALIFYING EXAMINATION

of

ARCADIAN HEALTH PLAN, INC.

Bothell, Washington

As of July 1, 2004



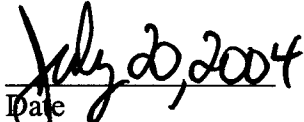
Exhibit A

CHIEF EXAMINER AFFIDAVIT

I hereby certify I have read the attached Report on the Qualifying Examination of Arcadian Health Plan, Inc., of Bothell, Washington. This report shows the financial condition and related corporate matters as of July 1, 2004.



PATRICK H. McNAUGHTON
Chief Examiner



Date

Arcadian Health Plan, Inc.
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Arcadian Health Plan, Inc.

Seattle, Washington

July 20, 2004

The Honorable Mike Kreidler, Commissioner
Washington Office of Insurance Commissioner
Insurance Building
PO Box 40255
Olympia, WA 98504-0255

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of RCW 48.44.145(4), a qualifying examination has been made of the corporate records and financial condition of

ARCADIAN HEALTH PLAN, INC.

of

Bothell, Washington

hereinafter referred to as "AHP" or the "Company". This report of examination is respectfully submitted showing the condition of the Company as of July 1, 2004.

SCOPE OF EXAMINATION

This examination of AHP included verification of the Company's assets and liabilities as of July 1, 2004. The minimum net worth and cash deposits were tested for compliance with RCW 48.44.037. In addition, the examination included verification for compliance with statutory requirements regarding AHP's application for a Certificate of Registration to be a HEALTH CARE SERVICE CONTRACTOR incorporated in the State of Washington.

HISTORY

On March 18, 2004, Articles of Incorporation were approved by the Incorporators to form Arcadian Health Plan, Inc., a Washington domestic Health Care Service Contractor.

Arcadian Health Plan, Inc.
MANAGEMENT AND CONTROL

Board of Directors

In accordance with provisions of the Bylaws, the Company shall be managed by a Board of Directors composed of not less than five (5) and not more than ten (10) Directors, the specific number to be set by resolutions of the Board or shareholders.

The following Directors were serving the Company as of July 1, 2004:

Nancy E. Freeman	Los Angeles, CA
Cheryl Y. Perkins	Oakland, CA
John H. Austin	Oakland, CA
Chase Milbrandt	Oakland, CA
Ken Zimmerman	Hillsborough, CA

Officers

There were no appointed Officers serving the Company as of July 1, 2004.

AFFILIATED COMPANIES

The parent company of Arcadian Health Plan, Inc., is Arcadian Management Services, Inc. (AMS). AMS owns 100% of the voting stock of the Company. AMS is a Delaware Corporation with its primary offices in Oakland, CA.

NET WORTH

The Articles of Incorporation, dated March 18, 2004, authorize AHP to be formed as a domestic Health Care Service Contractor, under Chapter 48.44 of the Revised Code of Washington. The Company is seeking authorization to establish, promote, maintain and operate a health care service contractor and to provide insurance for health care services in the State of Washington.

Pursuant to RCW 48.44.037, the required unimpaired minimum Net Worth for a Health Care Service Contractor transacting health care services business is equal to the greater of:

- (a) Three million dollars; or
- (b) Two percent of the annual premium earned, as reported on the most recent annual financial statement filed with the commissioner, on the first one hundred fifty million dollars of premium and one percent of the annual premium on the premium in excess of one hundred fifty million dollars.

As of July 1, 2004, the Company's Net Worth equaled \$3,500,458, as required by RCW 48.44.037.

Arcadian Health Plan, Inc.

RECOMMENDATION

As of the date of this examination, July 1, 2004, Arcadian Health Plan, Inc., has been found to be in compliance with the pertinent provisions of the Washington Insurance Code. Based on the findings and conclusions of the examiner, Arcadian Health Plan, Inc., has sufficient Net Worth to qualify for a Certificate of Registration as a HEALTH CARE SERVICE CONTRACTOR in the State of Washington.

FINANCIAL STATEMENTS

The following examination financial statements show the financial condition of AHP as of July 1, 2004:

Statement of Assets, Liabilities and Net Worth

Arcadian Health Plan, Inc.

**Statement of Assets, Liabilities and Net Worth
As of July 1, 2004**

	<u>Balance Per Company</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
<u>ASSETS</u>			
Cash	\$3,500,458		\$3,500,458
Total Assets	<u>\$3,500,458</u>	<u>\$0</u>	<u>\$3,500,458</u>
<u>LIABILITIES</u>			
Total Liabilities	\$0		\$0
<u>NET WORTH</u>			
Common stock, par value \$10.00	100,000		100,000
Additional Paid-in Capital	3,400,000		3,400,000
Retained Earnings	458		458
Total Net Worth	<u>3,500,458</u>		<u>3,500,458</u>
Total Liabilities and Net Worth	<u>\$3,500,458</u>	<u>\$0</u>	<u>\$3,500,458</u>

NOTE: Bank balances were confirmed as of July 1, 2004, for the purpose of preparing the Balance Sheet as of July 1, 2004 and to verify Net Worth balances. The Company has sufficient Net Worth to qualify for a Certificate of Registration as required by RCW 48.44.037.

Arcadian Health Plan, Inc.

AFFIDAVIT

STATE OF WASHINGTON

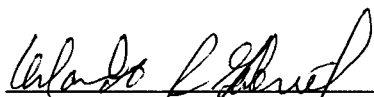
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COUNTY OF KING

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Orlando R. Gabriel, AFE, being duly sworn, deposes and says that the foregoing report subscribed by him is true to the best of his knowledge and belief.



Orlando R. Gabriel, AFE

Examiner-in-Charge

State of Washington

Subscribed and sworn to before me this 20th day of July, 2004.



Notary Public in and for the
State of Washington.

